

FIGURES | ORLANDO OFFICE | Q3 2024

# Year to date absorption surpasses 98,000 square feet

▼ 15.8%

Vacancy Rate

▲ 111,084

SF Net Absorption

▼ 0

SF Under Construction

▼ 0

SF Deliveries

▲ \$27.38

Full-Service / Lease Rate

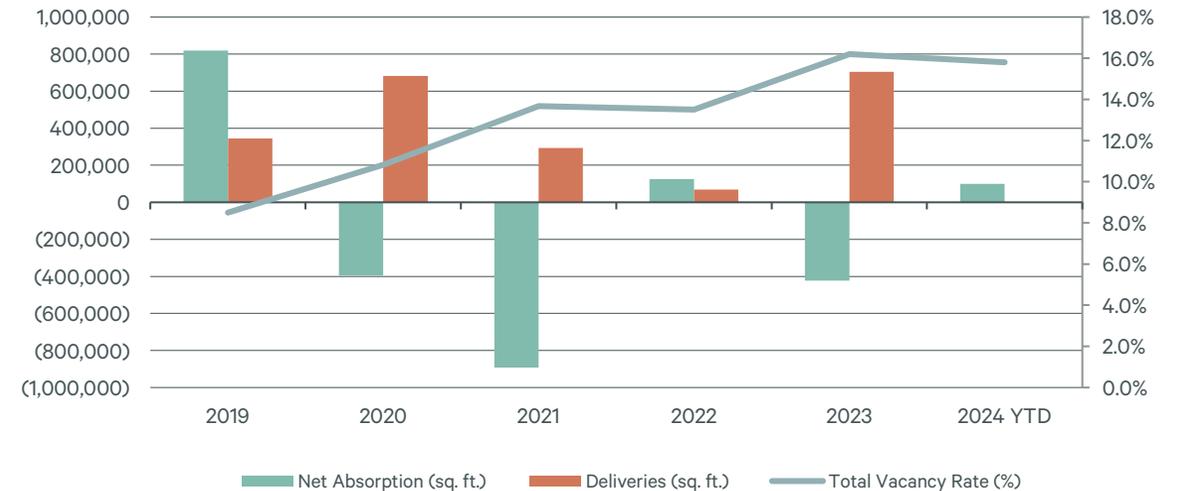
Note: Arrows indicate change from previous year.

## OVERVIEW

- Year to date absorption increased to positive 98,901 sq. ft., prompting the 30 bps decrease in vacancy quarter over quarter.
- The current construction pipeline is empty with only a handful of proposed projects in discussion and no clear timeline as to when they will move forward.
- Average direct asking rents across Orlando sit at \$27.38 per sq. ft., up 4.8% year over year.

The third quarter of the year showed positive signs in the Orlando office market. Year to date absorption has been brought to 98,901 sq. ft. due to solid deals signed throughout 2024. One key deal signed this quarter was Ke’Aki Technologies signing 59,116 sq. ft. at 2300 Discovery Drive in the University/Research Park submarket. The positive momentum in the market has dropped the Orlando vacancy rate 30 basis points quarter over quarter to 15.8%. The lack of new construction is encouraging landlords to be creative with currently available space and amenities to make it enticing for companies to return to office. Since 2020, companies have continued to explore the balance between work from home and in-office work.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

## DEMAND

Leasing continues to carry the Orlando office market through the third quarter of 2024 with mid to large size deals. Outside of the Ke’Aki Technologies deal, South College was the second largest deal signed this quarter as they signed 25,466 sq. ft. at Westwood Center II in the South Orlando submarket. This submarket also witnessed another large deal as a major hospitality company expanded into 20,804 sq. ft. at 1180 Celebration Blvd.

The largest office sale closed this quarter was at 65 Keller Road in the Maitland Center submarket. Bloom Ventures purchased the property for \$15 million from Jefferson River Capital. CBRE represented the seller of the 82,398 sq. ft. building.

## VACANCY

Since the end of 2023, the vacancy rate has fallen 30 basis points to 15.8%. Owners are hopeful that the office market will continue this path of filling vacant space in the market. Currently over 600,000 sq. ft. of signed leases are expected to take occupancy over the next 24 months.

The lack of new office developments due to current construction costs and elevated interest rates eliminates pressure on vacancy through new deliveries. This, paired with active tenants in the market could create a positive environment for the final quarter of 2024.

## PRICING

Orlando pricing continues to modestly grow with an annual jump of 4.8% to \$27.38 per sq. ft. While landlords are getting creative with spaces and companies are pushing a return to in-office attendance, the market should continue to see rates push upward. South Orlando rates are the fast growing in the market as they are up 13.6% since last year – now averaging \$29.87 per sq. ft.

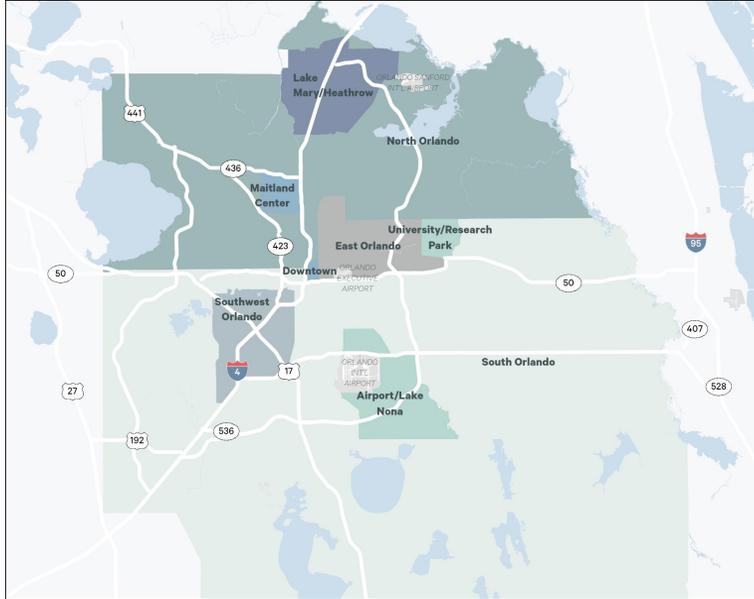
FIGURE 2: Statistical Snapshot Q3 2024

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q3 2024 Net Absorption (Sq. Ft.)	2024 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/FSG/G/MG)
Airport/Lake Nona	1,454,974	29.2	31.0	10,258	(21,995)	0	29.50
Downtown/CBD	8,308,453	11.8	13.0	20,904	(88,544)	0	32.97
East Orlando	2,088,921	8.2	8.2	24,376	43,911	0	24.51
Lake Mary/Heathrow	5,940,007	14.3	17.3	(13,492)	119,503	0	27.24
Maitland Center	5,514,146	15.3	15.8	34,957	154,686	0	25.32
North Orlando	3,009,879	16.2	17.3	14,080	9,464	0	21.14
South Orlando	3,379,506	10.3	10.8	35,286	(142,358)	0	29.87
Southwest Orlando	6,158,852	13.9	17.8	32,350	103,763	0	27.27
University/Research Park	4,324,358	10.5	17.4	(47,635)	(79,529)	0	28.84
Suburban Total	31,870,643	13.9	15.8	90,180	187,445	0	25.91
Orlando Total	40,179,096	13.5	15.8	111,084	98,901	0	27.38

FIGURE 3: Notable Leases Q3 2024

Submarket	Property	Tenant	Transaction (SF)
University/Research Park	Discovery Point	Ke’Aki Technologies	59,116
South Orlando	Westwood Center II	South College	25,466
Southwest Orlando	Southpark Center – Building K	KB Home	23,622
South Orlando	1180 Celebration Blvd	Hospitality Company	20,804

## Market Area Overview



## ECONOMIC OUTLOOK

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a rollover in the labor market although the recent bump in unemployment appears benign, mainly driven by an increase in participation. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

While many are focused on November’s election the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

Survey Criteria: Includes all competitive Class A and Class B office buildings 10,000 sq. ft. and greater in size in Orlando. Excludes: government and medical buildings..

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